

TRI-TOWN FIRE DEPARTMENT

OSCODA COUNTY, MICHIGAN
(Big Creek/Elmer/Mentor Twp)
AUDITED FINANCIAL STATEMENTS

MARCH 31, 2004

Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

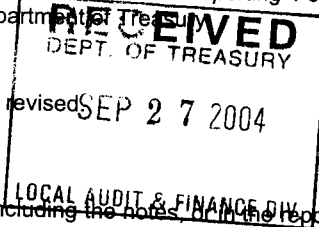
Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input type="checkbox"/> Village <input checked="" type="checkbox"/> Other		Local Government Name Tri-Town Fire Department	County Oscoda
Audit Date 3/31/04	Opinion Date 8/25/04	Date Accountant Report Submitted to State: 9/27/04	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations



You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☐ Yes ☒ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☐ Yes ☒ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.			✓
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) Anderson & Decker, P.C.			
Street Address P.O. Box 746		City Roscommon	State MI
Accountant Signature 		ZIP 48653	Date 9/27/04

TRI-TOWN FIRE DEPARTMENT

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Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

245 Lake Street • P.O. Box 746 • Roscommon, MI 48653
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INDEPENDENT AUDITORS' REPORT

August 25, 2004

Department Board
Tri-Town Fire Department
1508 W. 11th Street
Mio, Michigan 48647

We have audited the general purpose financial statements of the Tri-Town Fire Department, County of Oscoda, as of and for the year ended March 31, 2004, as listed in the table of contents. These financial statements are the responsibility of the Department's management. Our responsibility is to express an opinion based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the general purpose financial statements referred to in the first paragraph present fairly, in all material respects, the financial position of the Tri-Town Fire Department, County of Oscoda, as of March 31, 2004, and the results of its operations for the year then ended in conformity with generally accepted accounting principles.

In accordance with Government Auditing Standards, we have also issued a report dated August 25, 2004, on our consideration of the Tri-Town Fire Department's internal control over financial reporting and our test of its compliance with certain provisions of laws, regulations, contracts and grants.

Our audit was made for the purpose of forming an opinion on the general purpose financial statements taken as a whole. The individual fund statements listed in the table of contents are presented for purposes of additional analysis and are not a required part of the combined financial statements of the Tri-Town Fire Department, County of Oscoda. The information has been subjected to the auditing procedures applied in the audit of the combined financial statements and, in our opinion, is fairly stated in all material respects in relation to the general purpose financial statements taken as a whole.


ANDERSON & DECKER, P.C.
CERTIFIED PUBLIC ACCOUNTANTS

TRI-TOWN FIRE DEPARTMENT
COMBINED BALANCE SHEET - ALL FUND TYPES AND ACCOUNT GROUPS
MARCH 31, 2004

	<u>Governmental Fund Types General Fund</u>	<u>Account Group General Fixed Assets</u>	<u>Totals (Memorandum) (Only)</u>
Assets:			
Cash and investments	\$ 43,605	\$ -0-	\$ 43,605
Property, plant and equipment	<u>-0-</u>	<u>429,064</u>	<u>429,064</u>
Total Assets	<u>\$ 43,605</u>	<u>\$ 429,064</u>	<u>\$ 472,669</u>
LIABILITIES AND FUND EQUITY			
Liabilities:			
Accounts payable	\$ <u>722</u>	\$ <u>-0-</u>	\$ <u>722</u>
Total Liabilities	<u>722</u>	<u>-0-</u>	<u>722</u>
Fund Equity:			
Investment in general			
Fixed assets	-0-	429,064	429,064
Fund balance	<u>42,883</u>	<u>-0-</u>	<u>42,883</u>
Total Fund Equity	<u>42,883</u>	<u>429,064</u>	<u>471,947</u>
Total Liability and Fund Equity	<u>\$ 43,605</u>	<u>\$ 429,604</u>	<u>\$ 472,669</u>

See Accompanying Notes to Financial Statements

TRI-TOWN FIRE DEPARTMENT
STATEMENT OF REVENUE, EXPENDITURES AND
CHANGES IN FUND BALANCE
BUDGET AND ACTUAL - GENERAL FUND
YEAR ENDED MARCH 31, 2004

	<u>Budget</u>	<u>Actual</u>	Variance Favorable (Unfavorable)
Revenues:			
Local contributions	\$ 81,000	\$ 81,000	\$ -0-
Interest	-0-	155	155
Other	-0-	9,304	9,304
Total Revenues	<u>81,000</u>	<u>90,459</u>	<u>9,459</u>
Expenditures:			
General government	<u>66,000</u>	<u>103,461</u>	<u>(37,461)</u>
Total Expenditures	<u>66,000</u>	<u>103,461</u>	<u>(37,461)</u>
Excess:			
Revenue over (under) expenditures	15,000	(13,002)	(28,002)
Fund Balance April 1	<u>55,885</u>	<u>55,885</u>	<u>-0-</u>
Fund Balance - March 31	<u>\$ 70,885</u>	<u>\$ 42,883</u>	<u>\$ (28,002)</u>

See Accompanying Notes to Financial Statements

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS
YEAR ENDED MARCH 31, 2004

NOTE A: ENTITY

Tri-Town Fire Department is a joint venture between Big Creek Township, Elmer Township, and Mentor Township for the purpose of providing fire protection services to residents of the townships. The Tri-Town Fire Board is composed of the Supervisor of each of the three townships, two township board members from Big Creek Township and one township board member from each of Mentor Township and Elmer Township. As required by generally accepted accounting principles and Governmental Accounting standards Board (GASB) Statement no. 14 "The Financial Reporting Entity", these financial statements present Tri-Town Fire Department (primary government) and its component units. The criteria established by the GASB for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if data were not included.

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Tri-Town Fire Department conform to generally accepted accounting principles as applicable to governments. The following is a summary of the more significant policies.

Fund Accounting - The accounts of the Department are organized on the basis of funds and account groups, each of which is considered a separate accounting entity. The operations of each fund are accounted for with a separate set of self-balancing accounts that comprise its assets, liabilities, fund equity, revenues and expenditures or expenses, as appropriate. Government resources are allocated to and accounted for in individual funds based upon the purpose for which they are to be spent and the means by which spending activities are controlled. The various funds are grouped in the financial statements in this report into two generic fund types and one account group, as follows:

GOVERNMENTAL FUNDS

General Fund - This fund is used to account for all financial transactions except those required to be accounted for in another fund. The fund includes the general operating expenditures of the local unit. Revenues are derived primarily from intergovernmental revenues, charges for services, and interest.

ACCOUNT GROUP

General Fixed Assets Account Group - This account group presents the fixed assets of the local unit utilized in its general operations (nonproprietary fixed assets).

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE B - SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (CONTINUED):

BASIS OF ACCOUNTING - The modified accrual basis of accounting is used by all governmental funds. Revenue and other sources are recognized in the accounting period in which they become susceptible to accrual; that is when they become both measurable and available to finance expenditures of the fiscal period. Expenditures are recognized when the related fund liability is incurred. Modifications from the accrual basis are as follows:

- a. Interest on bonded indebtedness and other long-term debt is not recorded as an expenditure until its due date.
- b. Payments for inventorable types of supplies are recorded as expenditures at the time of purchase.
- c. Normally, expenditures are not divided between years by the recording of prepaid expenses.

BUDGETS - Public Act 621 of 1978 as amended provides that a local unit shall not incur expenditures in excess of the amount appropriated. The approved budgets of the Department for budgetary funds were adopted on a fund level. Budgets are normally formulated during January and February of each year and a budget hearing is held in March. The board normally adopts the budget just prior to April 1. Amendments are made to the budgets when determined to be necessary throughout the year.

Unused appropriations for budgeted activities lapse at the end of the year. The budget amounts shown in the financial statements are the final authorized amounts as revised during the year. Budgets adopted end as of March 31, of each year. There are no carryover budget items.

PROPERTY AND EQUIPMENT - Property and equipment are stated at cost, or donated, fair market value. Expenditures which materially extend the useful life of existing properties or equipment are capitalized. Certain governmental improvements, including roads, bridges and drains are not capitalized. General fixed assets are recorded as expenditures at the time of purchase.

USE OF ESTIMATES - The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE C - CASH AND INVESTMENTS

The balance sheet accounts and types of cash items are presented below:

<u>Balance Sheet Accounts</u>	<u>Amount</u>	<u>Cash Items</u>	<u>Amount</u>
Cash and investments	\$ 43,605	Checking & Savings Accounts	\$ 43,605
Total	<u>\$ 43,605</u>	Total	<u>\$ 43,605</u>

Deposits - At year-end, the carrying amount of the Department's deposits was \$43,605 and the bank balance was \$44,476. According to Section 330.8 of the Federal Deposit Insurance Corporation Rules and Regulations, 100% of the total bank balance was covered by federal depository insurance.

Deposits are categorized into these three categories of credit risk.

1. Insured or collateralized with securities held by the entity or by its agent in the entity's name.
2. Collateralized with securities held by the pledging financial institutions trust department or agent in the entity's name.
3. Uncollateralized.

	<u>Carrying Amount</u>	<u>Bank Balance</u>
Insured (FDIC)	\$ 43,605	\$ 44,476
Uninsured and Uncollateralized	<u>-0-</u>	<u>-0-</u>
Total Deposits	<u>\$ 43,605</u>	<u>\$ 44,476</u>

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE C - CASH AND INVESTMENTS (CONTINUED)

Investments - Act 217, PA 1982, authorizes the Department to deposit and invest in the following:

- a. Bonds and other direct obligations of the United States or its agencies.
- b. Certificates of deposit, savings, accounts, deposit accounts, or depository receipts of federally insured banks, insured savings and loan associations or credit unions insured by the national credit union administration that are eligible to be depository of surplus money belonging to the State under section 5 or 6 of act 105, PA 1855, as amended (MCL 21.145 and 21.146).
- c. Commercial paper rated at time of purchase within the two highest classifications established by not less than two standard rating services. Maturity cannot be more than 270 days after purchase.
- d. United States governmental or Federal agency obligation repurchase agreements.
- e. Bankers' acceptance of United States banks.
- f. Mutual funds composed of investments which are legal for direct investments by local units of government in Michigan.

NOTE D - EXCESS OF EXPENDITURES OVER APPROPRIATIONS IN BUDGETARY FUNDS

During the year ended March 31, 2004 the Department incurred expenditures in excess of the amounts appropriated in the General Fund as follows:

<u>Fund</u>	<u>Budgeted</u>	<u>Actual</u>	<u>Variance</u>
General Fund:			
Employee training	\$ 2,400	\$ 3,050	\$ (650)
Gasoline	-0-	740	(740)
Repairs and maintenance	7,000	7,291	(291)
Heat	1,900	2,518	(618)
Capital outlay	-0-	46,906	(46,906)

TRI-TOWN FIRE DEPARTMENT
NOTES TO FINANCIAL STATEMENTS (CONTINUED)
YEAR ENDED MARCH 31, 2004

NOTE E - PROPERTY AND EQUIPMENT

A schedule of changes in general fixed assets is as follows:

	<u>Balance</u> <u>April 1</u>	<u>Additions</u>	<u>Retirements</u>	<u>Balance</u> <u>March 31</u>
Land & Improvements	\$ 15,900	\$ -0-	\$ -0-	\$ 15,900
Building & Improvements	76,500	-0-	-0-	76,500
Equipment & Vehicles	289,758	46,906	-0-	336,664
	<u>\$ 382,158</u>	<u>\$ 46,906</u>	<u>\$ -0-</u>	<u>\$ 429,064</u>

NOTE F - PARTIAL SELF-INSURANCE

The Department is a member of the Township Participating Plan. Under most circumstance, the municipality's maximum coverage is limited as follows:

<u>Type</u>	<u>Limit</u>	<u>Deductible</u>
Property	\$ 372,245	\$ 100
Liability	2,000,000	-0-
Errors and Omission	2,000,000	-0-
Law Enforcement	2,000,000	-0-
Automobiles	2,000,000	100
Crime	10,000	-0-
Inland Marine	221,000	100
Workmen's Compensation	STATUTORY	-0-

NOTE G - TOTALS (MEMORANDUM ONLY) COLUMN

The total column on the combined statements is captioned memorandum only to indicate that it is presented only to facilitate financial analysis. Data in this column does not present financial position, results of operations, or changes in financial position in conformity with generally accepted accounting principles. Neither is such data comparable to consolidation. Interfund eliminations have not been made in the aggregation of this data.

**SUPPLEMENTARY
INFORMATION**

TRI-TOWN FIRE DEPARTMENT
GENERAL FUND
STATEMENT OF REVENUES, COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2004 AND COMPARISON TO MARCH 31, 2003 ACTUAL

	<u>2004</u>		Variance	Actual
	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)	<u>2003</u>
Local Contributions:				
Big Creek Township	\$ 43,424	\$ 43,424	\$ -0-	\$ 61,961
Elmer Township	17,613	17,613	-0-	26,775
Mentor Township	<u>19,963</u>	<u>19,963</u>	<u>-0-</u>	<u>29,061</u>
Total Local Contributions	<u>81,000</u>	<u>81,000</u>	<u>-0-</u>	<u>117,797</u>
Interest	<u>-0-</u>	<u>155</u>	<u>155</u>	<u>632</u>
Other:				
Donations	-0-	-0-	-0-	66
Miscellaneous	-0-	1,769	1,769	67
Reimbursements	<u>-0-</u>	<u>7,535</u>	<u>7,535</u>	<u>3,364</u>
Total Other	<u>-0-</u>	<u>9,304</u>	<u>9,304</u>	<u>3,497</u>
Total Revenue	<u>\$ 81,000</u>	<u>\$ 90,459</u>	<u>\$ 9,459</u>	<u>\$ 121,926</u>

TRI-TOWN FIRE DEPARTMENT
GENERAL FUND
STATEMENT OF EXPENDITURES, COMPARED TO BUDGET
YEAR ENDED MARCH 31, 2004 AND COMPARISON TO MARCH 31, 2003 ACTUAL

	2004		Variance	Actual
	Budget	Actual	Favorable (Unfavorable)	2003
Salaries and wages	\$ 14,100	\$ 12,000	\$ 2,100	\$ 12,000
Fire runs	12,000	11,127	873	13,068
Employee training	2,400	3,050	(650)	2,893
Payroll taxes	4,400	2,064	2,336	2,139
Legal and professional	1,300	1,170	130	1,205
Insurance	14,000	13,827	173	12,179
Supplies	300	80	220	496
Gasoline	-0-	740	(740)	751
Repairs and maintenance	7,000	7,291	(291)	5,514
Electric	1,500	1,361	139	1,428
Heat	1,900	2,518	(618)	2,323
Telephone	600	427	173	619
Tower rent	900	900	-0-	900
Capital outlay	-0-	46,906	(46,906)	40,063
Contingencies	5,600	-0-	5,600	1,613
 Total Expenditures	 <u>\$ 66,000</u>	 <u>\$ 103,461</u>	 <u>\$ (37,461)</u>	 <u>\$ 97,191</u>

TRI-TOWN FIRE DEPARTMENT
GENERAL FIXED ASSET GROUP OF ACCOUNTS
MARCH 31, 2004

ASSETS

Land and improvements	\$ 15,900
Building and improvements	76,500
Vehicles and equipment	<u>336,664</u>

Total Assets	<u>\$ 429,064</u>
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FUND EQUITY

Fund Equity:	
Investment in fixed assets	<u>\$ 429,064</u>

Total Fund Equity	<u>\$ 429,064</u>
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Anderson & Decker, P.C.

CERTIFIED PUBLIC ACCOUNTANTS

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**REPORT ON COMPLIANCE AND ON INTERNAL CONTROL
OVER FINANCIAL REPORTING BASED ON AN AUDIT
OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE
WITH GOVERNMENT AUDITING STANDARDS**

August 25, 2004

Department Board
Tri-Town Fire Department
1508 W. 11th Street
Mio, MI 48647

Dear Board:

We have audited the general purpose financial statements of the Tri-Town Fire Department, Oscoda County, for the year ended March 31, 2004, and have issued our report thereon dated August 25, 2004. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Compliance

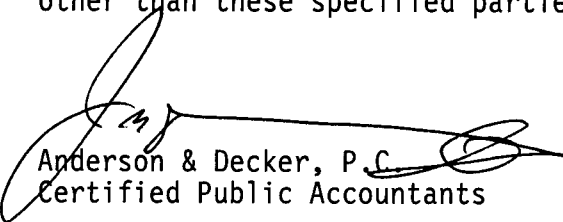
As part of obtaining reasonable assurance about whether the Tri-Town Fire Department's general purpose financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under Government Auditing Standards.

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Department Board
Tri-Town Fire Department
August 25, 2004

Internal Control Over Financial Reporting

In planning and performing my audit, we considered Tri-Town Fire Department's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

This report is intended for the information of the audit committee, management, and the Department Board, and is not intended to be, and should not be used by anyone other than these specified parties.



Anderson & Decker, P.C.
Certified Public Accountants